



wessonenergy

March 11, 2014

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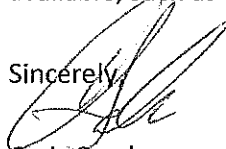
General Law Committee:

On behalf of Wesson Energy, which serves customers in the greater Waterbury area, I am submitting testimony in **opposition to S.B. 299, AN ACT ESTABLISHING A PREPAID CONSUMER HEATING FUEL CONTRACT GUARANTY FUND.**

There are a number of grounds upon which guaranty funds fail. They fail to offer true protection to consumers since, by creating a kind of "safety net," such a fund actually encourages risky and speculative behavior both by consumers, who are incentivized to find the lowest cost product without doing any due diligence; and by dealers who may no longer secure their products with wet barrel contracts or hedges since they know a fund will now "protect" consumers. As we've seen such funds in action, from the BP Gulf fund to various insurance and pension fund guaranties, they are highly prone to claims disputes, fraud, and legal action, as well as administrative cost overruns. These lead to frustrated consumers unhappy with the fund or their claims outcomes. As a result, such funds are economically inefficient, and are plagued with both cost overruns and funding deficiencies resulting in ever increasing levies on oil dealers to keep the guaranty fund solvent. Connecticut's own experience with funds is miserable. Wesson Energy used to own gas stations and so we are very familiar with the Tank Fund.

This tax on gasoline at the wholesale level was entirely passed on to consumers and the tax itself, which collected hundreds of millions of dollars, rather than going to pay for environmental claims, now entirely goes into the state's General Fund. Finally, there is the matter of equity. Why should Wesson Energy, which follows all the laws and regulations of our industry, and which is an innovator in providing home comfort solutions to our customers, support, and indeed encourage, the risky behavior of other oil dealers paying into this fund. As a Waterbury company, we are well aware of risky, even fraudulent behavior. But this fund will not cure such behavior, nor will it be the panacea for consumer that the bill's framers may hope for, for the reasons noted above. We believe there are many other safeguards available, such as those proposed by CEMA, that will be more effective in protecting consumers.

Sincerely,



Craig Snyder

President Wesson Energy